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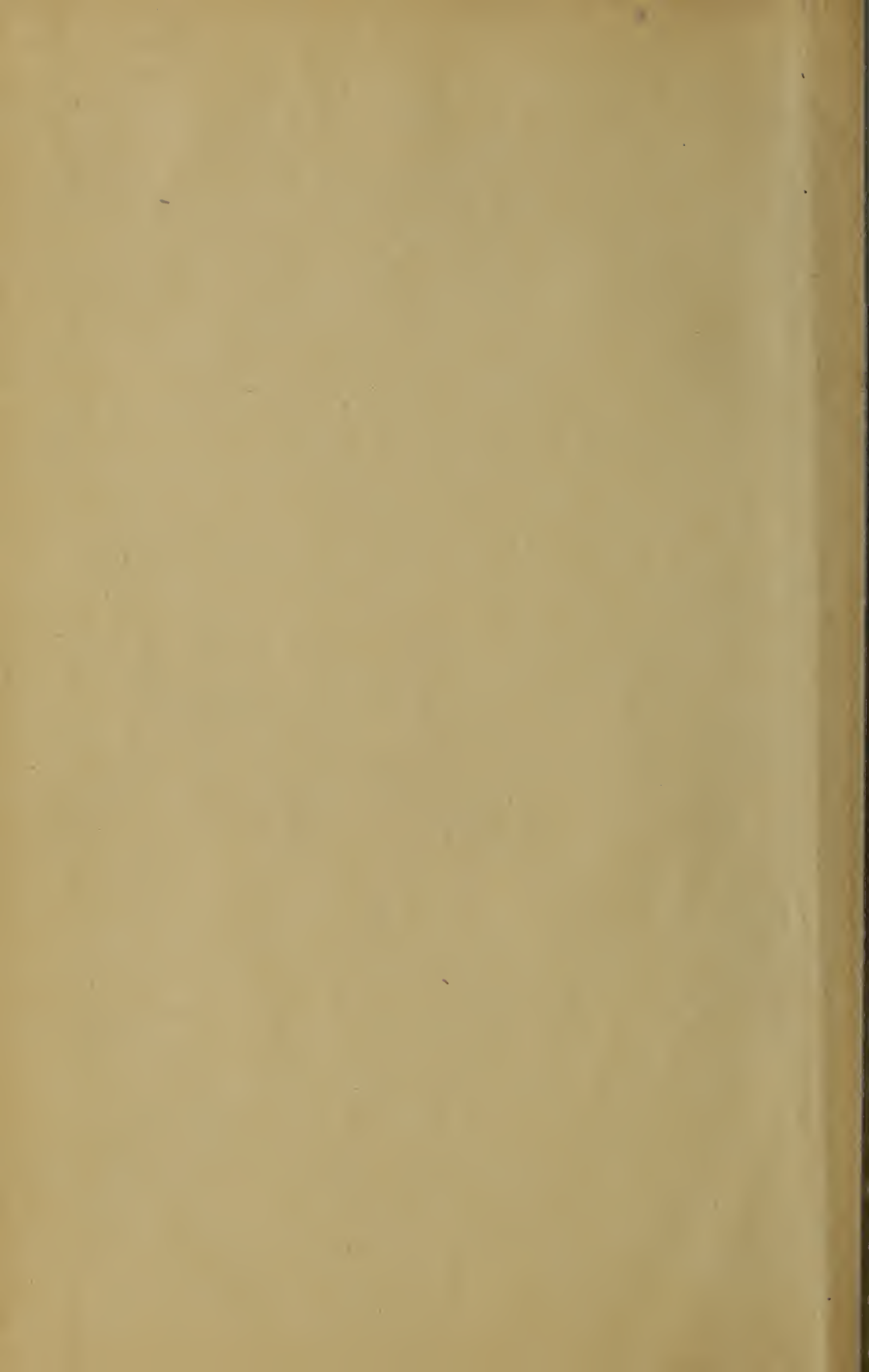
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THE FINANCE COMMISSION

OF THE

CITY OF BOSTON

REPORT TO THE LEGISLATURE FOR THE
YEAR ENDING DECEMBER 31, 1935

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REPORT TO THE LEGISLATURE.

BOSTON, January 31, 1936.

*To the Honorable the Senate and House of Representatives
in General Court Assembled.*

In accordance with section 18 of chapter 486 of the Acts of 1909, the Finance Commission of the City of Boston submits its annual report for the year 1935.

I. ORGANIZATION OF THE COMMISSION.

On March 21, 1935, Philip A. Chapman of No. 47 Sudan street, Dorchester, was appointed by Governor James M. Curley to fill out the unexpired term of Joseph McKenney.

On August 29, William W. Saxe replaced Judge Jacob J. Kaplan whose term expired on August 18.

On November 13, Robert Robinson of No. 19 South street, Brighton, replaced William W. Saxe who resigned.

On January 7, 1936, James E. Maguire of No. 41 St. Andrew road, East Boston, was appointed to fill out the unexpired term of William Arthur Reilly who resigned on the same date.

On January 15, 1936, Joseph A. Scolponeti of No. 31 May street, Jamaica Plain, was appointed to fill out the unexpired term of Alexander Wheeler who resigned on January 13.

The full bench of the Supreme Judicial Court of Massachusetts upheld the right of Governor Curley to designate E. Mark Sullivan as Chairman, question of such right having been raised by Judge Kaplan.

II. APPROPRIATION AND EXPENDITURES.

The amount appropriated for the Finance Commission for the year 1935 was \$50,000. The expenditures were as follows:

Permanent employees	\$34,100 00
Printing and binding	575 16
Transportation of persons	168 43
Light and power	160 14
Rent	5,100 00
Telegrams, telephones and messenger service	504 35
Cleaning	72 00
Fees	7 50
Photographing and blueprinting	1 85
Miscellaneous items and repairs	30 30
Office equipment	1 75
Library equipment	188 08
Office supplies	342 89
Ice	45 40
Miscellaneous supplies	11 25
Electrical supplies	6 48
Hire of experts, etc., in special investigations	7,775 54
	<hr/>
	<u>\$49,091 12</u>
Amount appropriated	\$50,000 00
Amount expended	49,091 12
	<hr/>
Balance unexpended	<u>\$908 88</u>

III. THE WORK OF THE COMMISSION.

A perusal of the record of the activities of the Commission in the twenty-five years of its existence cannot fail to impress any who take the trouble to inspect it that the year 1935 was one of the most important in the life of the Commission. The reports made during the year were many and varied. For the most part, they dealt with appropriations about to be made on the Mayor's recommendation; with contracts about to be awarded with the Mayor's approval; with appointments about to be made at the Mayor's direction; and

with wanted changes by the Mayor in policies that had been proven sound in many years of experience. The majority of the reports might be characterized as preventive reports, that is, reports offered in advance of a contemplated expenditure of public funds which, in the opinion of the Finance Commission, would be unwise.

In all such reports the Commission opposed the expressed desires of what is known as the Mansfield administration, because the Commission believed that the best interests of the taxpayers were not being served. It is easy, therefore, to understand that these reports provoked a hostility from the Mayor and from those associated with him in carrying out certain purposes of his administration that was never previously matched in the history of the Finance Commission.

The good faith of the members of the Commission was frequently attacked. The motives of the Commission were characterized as a plot to prevent the Mayor from undertaking an investigation that was originally recommended to him by two of the members of the Commission. Yet the two who had first suggested his investigation had joined heartily in the work which the Mayor decried. A faithful staff of employees who, by many years of fair dealing with City employees, had earned respect and consideration in City Hall departments and had served all Commissions alike did not escape the tirade of abuse that flowed continually from the administration's mouthpieces. But through it all the Commission continued to function as the Legislature which created it intended that it should. It was not deterred by attacks from many quarters that were inspired by groups or agencies that had an ulterior motive in trying to build up for the Mansfield administration a prestige that it does not deserve.

The record shows that the Commission's reports during the year were unanimously adopted by all members of the Commission with but a single exception. This single exception amounted to no more than that three members said a particular matter had been

investigated until there was nothing more that the Commission could do, and the minority membership said it should be investigated further, but by somebody else. Yet, to the very end of the year the minority membership joined heartily with the majority in every other work undertaken and every other report made. There never was greater unanimity than this in any day of the Commission since its creation in 1909.

The Finance Commission, as it existed in 1934, withheld public criticism of the mistakes of the Mansfield administration during that year. It has been the policy of the Commission to permit a new mayor to become accustomed to the intricate problems of municipal administration before enlisting public opinion to prevent continuation of mistakes. The records of the Commission for the year 1934 reveal many instances of a desire, expressed in informal reports to the Mayor, to help him to function efficiently and economically. Added justification for this leniency was that the times were very trying, and the depression was then at its lowest level. There was consequent demand upon all public agencies on the one hand to help out the large number of people in want, and on the other hand to reduce taxation. It is true, nevertheless, that the Mayor had increased his difficulty by replacing with new appointees who were inexperienced in public office many old, reliable employees who had been found so valuable by previous administrations that the continuance of their employment was never before in question.

When, however, the financial burdens — temporarily lightened by wholesale layoffs of City employees, by a general reduction in salaries, and by suppression or curtailment of municipal service previously enjoyed — were subsequently increased by violations of the elementary principles and practices of fair bidding and contract awards; by the increasing frequency of handing out work to favorite political contractors with little or no check-up of the prices charged; by an

utter neglect to carry out systems of management of municipal activity installed after much study and great expense, then it became apparent that the Mayor in office had been too kindly dealt with. Administration mistakes had become abuses; the informal reports, offered in a spirit of cooperation, were being pigeon-holed without corrective action; specious explanations were being given of administrative acts which were inexplicable unless charged off either to incompetence or to a desire to repay political debts with public funds.

It is noteworthy that though attempt has been made to belittle the work of the Commission by alleging to it false motives, the facts and figures portraying inefficiency, incompetency, and often more serious revelations have been steadily piling up against the present administration in City affairs. The reports containing these facts and figures are conclusive evidence that the Commission in the past year has performed the duty that the Legislature gave it to do.

Some of the principal activities of the Commission during the year were as follows:

1. THE INVESTIGATION OF THE SO-CALLED DOLAN CASE AND THE LAND-TAKINGS FOR THE EAST BOSTON VEHICULAR TUNNEL.

When the year began the principal item on the Commission's docket was the special investigation which was started by the Finance Commission in the fall of 1934 in an effort to substantiate sensational charges made in the gubernatorial campaign of that period relating to certain administrative matters in the City of Boston. The attorney who was hired in 1934 to conduct it was still at work and under pay from the Finance Commission. He had the assistance of the entire staff of the Commission. Some of his reports had been made public; other reports relating to charges made in the campaign had been offered by him to the Commission as it was constituted at the end of 1934 (Messrs. Leonard, Storey,

Donahue, Wheeler and Sheehan, with Judge Kaplan later replacing Leonard), but had been rejected. The record reveals that these reports were rejected by the Commission of 1934 because they lacked the facts to warrant the conclusions contained in them. The new membership of the Commission that came into office in January of 1935 gave the special investigator every opportunity to pursue his inquiry to its conclusion. All the facilities of the Commission remained at his disposal. Extra help was hired, as he asked for it, and, in fact, every request he made for funds or assistance for investigation purposes was granted.

After another month of futile effort by him to supplement the information already in possession of the Commission when he was originally hired, he suddenly resigned his job, taking with him copies of all the testimony acquired in the investigation. This was without suggestion from the Commission and without any previous warning by him of dissatisfaction with the cooperation the new Commission was giving to him. He offered no new reports at this time, but re-submitted reports previously rejected by the old Commission.

Later the new Commission made a report relating to the purchase of securities by Edmund L. Dolan as City Treasurer in the years 1930 to 1933. This report was signed by all the members, three of whom were new appointees, and the remaining two (Judge Kaplan and Alexander Wheeler) were appointees of former Governor Ely. The material for this report had been assembled by Alexander Wheeler with the advice of the expert bond broker who was hired by the old Commission. It included everything of value found in the special investigator's report. The Commission's conclusion in this report was that a profit of approximately 2 per cent had been made by brokers on bonds sold to the City. It contained no criticism of the acts of the aforementioned City Treasurer.

It was the unanimous conclusion of the Commission at the time that this investigation was then completed.

Some weeks later, however, because of a repetition of public statements containing no more alleged facts than had been offered to the old Finance Commission and decided by them to have been unsubstantiated, the special investigator enlisted to his support certain well-known public men. It was his claim that the new Commission had suppressed his reports.

As a result, the Legislative Committee on Rules held hearings for the purpose of determining whether or not there was any merit to the charges being made. At this hearing the Finance Commission promptly turned over to the Legislative Committee all the reports that the special investigator had made and it was a shock to the Committee to discover that the special investigator had been misleading the public: that his so-called suppressed reports contained nothing not already made public by the Finance Commission except his own opinions. These were the opinions which the old Commission rejected because unsubstantiated.

At the request of the Committee on Rules, the Finance Commission reopened its own investigation and heard more witnesses. Later the Commission made another report and gave to the Committee on Rules complete copies of the testimony taken during the inquiry. This testimony was given to the Press and was printed in full in several newspapers.

Three members of the Finance Commission then concluded, and so reported, that the Finance Commission had given to the Committee on Rules all the facts that could be obtained by the Finance Commission in relation to charges concerning the purchase of securities by the City Treasurer of Boston in 1930-1933, and in relation to the land-takings and other matters investigated. Judge Kaplan and Alexander Wheeler made a minority report which, in effect, expressed dissatisfaction with the testimony of the witnesses examined by the Commission under oath, and recommended further investigation by a committee of the Legislature or by the Corporation Counsel of Boston.

In a personal statement to the Committee on Rules which had previously been published, Mr. Wheeler expressed the opinion that it would be a waste of time and money further to continue the investigation.

It was obvious to all the members of the Finance Commission that whatever were the motives of the members who started this investigation, it had become steeped with political considerations. It was not an attempt to accomplish some good for the taxpayers of Boston, but a political job that was being kept going for an ulterior purpose. The Commission unanimously decided that since the Legislative Committee on Rules had taken the investigation out of the hands of the Finance Commission, the Finance Commission should turn its attention to the regular investigative work of the Commission which had been long neglected.

2. BOSTON CITY HOSPITAL.

The Finance Commission has long kept a watchful eye on the continued development of conditions at the Boston City Hospital that were gradually destroying efficient management of this important institution. While the City was spending millions of dollars in replacing a worn out and outmoded physical plant, the result of a commendatory step begun in 1930, capable management was becoming a lost art and an institution that had acquired high national standing for the quality of its service was steadily approaching the lowest level in management in its history. This was not due either to lack of ability or the character of the Superintendent at the time, but wholly to interference with his management from within and without the institution.

The Commission had already attempted to stem the tide of disintegration by frequent conference with hospital officials, and by reports of conditions to the Mayor and Council. When it became apparent in 1935 that other means would not avail, the Commission gave to the public a report on some of the details of

management that shocked the community. This revealed that the pay roll was overloaded, principally by political appointees; that selection of employees had been taken from the hands of the trustees and Superintendent; that persons previously unknown to the hospital authorities were being sent in to them by the employees of the Mayor's office and certain members of the City Council to be put on the pay roll and the Superintendent required to find some excuse to warrant paying them a salary; that there was no central or definite authority for administration within the hospital organization; that wholesale thievery of food, medicines, supplies and equipment existed without check; that there was absolutely no control on the entrances and exits, thirteen of them, and that as a result unidentifiable persons could enter and roam at will throughout the institution, and take out whatever they liked. The hospital was using more food proportionately and paying a higher price for it than any other of several similar institutions visited by representatives of the Commission, yet the patients complained of its quality when served.

These and many other equally indefensible conditions related in the report led the Commission to demand a reorganization of the executive staff and the substitution of a good business management. Some improvements have resulted, notably a closer supervision of the comings and goings of employees, a control on the admission of visitors, and a closer matching of the foods and other supplies purchased with the amount properly used at the institution. Generally, the management has been improved, because authority has been centralized in the Superintendent. The many conscientious physicians and surgeons who give their time without compensation to the work of the institution are better satisfied with the conditions. An anomalous situation, however, still remains: The statutes place the responsibility of management on an unpaid board

of trustees, but the Mayor has placed it on a subordinate, the Superintendent. The Finance Commission's recommendation was for a change in the statutes to accomplish this needed improvement legally.

3. THE EAST BOSTON VEHICULAR TUNNEL.

The construction of the East Boston Vehicular Tunnel was one of the most needed contributions to the public service of Metropolitan Boston in a generation. It not only provided easy access from the City Proper to what should become one of its most important commercial subdivisions, but it permitted a speed and safety in transportation between important business and residential centers to the north and the south of the City that, as time goes on, becomes increasingly valuable.

It is much more than a local improvement. It serves the whole shore front of Massachusetts. Boston, however, must pay for it out of the funds of Boston taxpayers until the collection of tolls from the people who use it becomes great enough to relieve the taxpayers of that burden. The City borrowed approximately \$20,000,000 to pay for it. The cost of maintenance and the carrying charges on the debt incurred amount to close to \$1,500,000 per year.

It was, therefore, all important that it should be operated efficiently from the start and that every effort should be made to increase its earnings and to husband them carefully so that the portion the taxpayers are called upon to pay towards financing it might be kept at the lowest possible figure.

Yet the Finance Commission found after the tunnel had been in public use for a year that a mechanical system installed at a cost of over \$100,000 and intended to provide a check upon the proper receipt of the money collected and collectible was being allowed to decay without any serious attempt to make use of it. Though the system was entirely mechanical and, like all mechanical things, in need of regular attention, such elementary

needs as, for instance, periodic oiling had been neglected. The Commission was informed by City employees that for six months after the tunnel was opened to the public no one was assigned to take charge of the working of the mechanical system. Some officials of the Public Works Department who were in custody of it informed the Commission that the system was impractical and useless. Employees of the Transit Department which bought it and installed it, on the other hand, candidly stated to the Commission that the Public Works Department employees did not want it to work.

Finance Commission investigators found that the turn-in of tolls collected by the collectors never agreed with the totals the machines registered; and almost never equalled the amount the machines registered. Though definite schedules were adopted which determined the amount which should be collected for each type of vehicle, in several periods of observation the Finance Commission investigators found that collectors disregarded the schedule of rates to the detriment of the City. They also observed on many occasions the failure of collectors to register any collection.

Numbers of persons informed the Finance Commission that they saw no fees being recorded though they had seen them collected. The employees claimed the machines were inaccurate. The makers of the machine said they worked all right in other places and there was no reason why they should not work all right in Boston. It was apparent that the City was being defrauded.

The publicity given to the situation by the Finance Commission finally impressed on the Public Works officials the necessity for putting the machinery of collection in order and of keeping it in order. Like all systems, however, successful and honest operation depends on the character of those employed to carry it out. It is the duty of the Public Works Department officials who have this enterprise in charge to be alert to any possibility of defect from any cause.

4. AWARD OF CITY CONTRACTS.

Since the charter of the City was amended in 1909 to give the Mayor complete and absolute control of the award of contracts by department heads, the City has gradually built up a reputation, not previously enjoyed, of dealing fairly, in the award of contracts, with business firms desiring to do business with the City. Contracts amounting to more than \$1,000 had to be advertised publicly except in cases where department heads, to avoid the necessity of advertising, would offer a reason that might be considered sufficient to stand the test of public inspection.

When bids had been publicly solicited, it usually meant that, unless there was some special reason for doing otherwise, the award would go to the lowest bidder. In the years since the charter amendments brought about this change, the number of responsible business firms competing on an equal footing for City contracts has been ever increasing.

Occasionally a deviation from such a policy has provoked a protest from the Finance Commission, but considering the number of contracts advertised and the number that have been awarded to other than the lowest bidder, it might properly be said that the infractions of the rule before 1934 only proved the rule.

Last year, however, there appeared to be a concerted effort on the part of several department heads to break down this long established policy with respect to awards. The Commission reported instances to the Mayor. It was surprising to the Commission that instead of the customary, courteous acknowledgment from the Mayor of the receipt of reports, the reply usually came in the form of a statement given to the newspapers attacking the motives of the Commission in making the report. The facts of the reports were seldom answered categorically, and denial was never sustained.

In these reports the Commission pointed out many ways by which department heads sought to violate the

principle of dealing fairly with firms seeking to transact business with the City. Some of these were as follows:

“Informal bids” were being asked for in a greater number of instances than ever before. “Informal” bidding means asking a selected few to submit prices privately. There is no public competition, and therefore there is opportunity for manipulation of figures.

Firms which were the lowest bidders in competition and had complied with the requirements of the bidding by filing certified checks as guarantees of good faith were determined to be “not financially responsible” and therefore their bids rejected.

Firms which were the lowest bidders in competition were denied awards because the department heads wanted “to give the business to a local concern.” On the other hand, often local firms, without political affiliations, were denied favorable consideration, when low bidder, for capitious reasons.

Some firms, the lowest bidders in competition, and who had complied with the requirements, were determined to be “not qualified by experience.” One firm thus denied a contract had been in the same line of business for fifty years.

In some cases one of a number of firms in competition was allowed to write the specifications. When the bids were asked for, it was found that the firm which wrote the specifications had placed its competitors at the disadvantage of having to quote prices on equipment which only the firm which wrote the specifications could sell.

Purchases were often made and contracts often awarded without definite written specifications. In these cases the awards were always to firms which had established political contacts.

In awarding snow-removal contracts, the Public Works Commissioner ignored failure to comply

with specifications and awarded a contract to one contractor, not the lowest bidder, because "he wanted him to have the contract."

The Finance Commission investigated all these and many similar cases. In practically every one there was discrimination against responsible business firms. In most of them, complaint was made to the Commission by firms suffering from this discrimination. The Commission was prompted to make protest in these cases for two reasons: (1) the City could not afford to pay the extra cost for service or merchandise made necessary by this favoritism; (2) continuation of such policies was likely to result in the decision by reliable business firms to ignore the business of the City of Boston. The City then would be dependent on firms of low standing or of no standing.

As the result of these reports, there was some slight let-up in the objectionable practices, but that the evil has not yet been eradicated is evidenced by recent awards, as in the case of the purchase of snow-removal equipment by the Superintendent of Supplies and in the case of an award of a contract for trucking by the Library Department.

5. APPOINTMENT OF AN EXCESSIVE NUMBER OF CONSTABLES.

When public announcement was made that Mayor Mansfield proposed to appoint twenty-eight additional constables to the pay roll and to scatter them throughout the departments of the City, the Finance Commission was prompted to ask the reason for it. It meant adding approximately \$50,000 to the taxpayers' burden. The Mayor never replied to the Commission's letter.

The appointment of a constable is made by the Mayor with the approval of the City Council. It does not require civil service approval, and selection of appointees is not made from any list examined or certified by the Civil Service Commission.

For several years past it has been recognized that the only way by which an administration could reward political supporters with public employment, without compliance with the testing and selection that the Civil Service laws require, was by putting them at work and calling them constables. Mayor Mansfield had already placed a new batch of fifty appointees on the City pay rolls.

The Finance Commission examined the heads of departments who employed persons rated as "constables." From their testimony, it appeared that of the fifty employed, not more than two or three were actually performing duties which required the service of "a constable," as the statutes set forth those services. For the most part, they were acting as clerks, messengers, inspectors or investigators. If given their correct ratings, they would have come within the purview of the Civil Service Commission. Their continued employment, therefore, under the rating of "constable" was an evasion of the Civil Service laws.

In addition, it appeared from the testimony of the department heads examined that the duties assigned to many of them were either fictitious, or could be absorbed by other employees without hardship to any.

No department head examined, however, would admit that he had asked for any more or that he could use any more. Some went so far as to say that they could get along with less. Yet the Mayor was asking the City Council to approve the appointment of twenty-eight more whom he must have the departments absorb. It was unjustifiable loading of the pay roll to the amount of \$50,000. It was a plain case of paying political debts by passing out appointments to the City pay roll.

The Finance Commission naturally objected. The Commission asked the Civil Service Commission to take action to uphold the principles of the Civil Service laws. The Commission asked the Mayor to abandon this unwarranted loading of the City pay roll.

After the Council confirmed the appointments, the Mayor held in abeyance for several weeks the assignment of the new constables. When, however, the Legislature had completed its determination of the amount of money the City could spend during the year, the twenty-eight constables were established on the pay roll.

The Finance Commission believes that the services of these twenty-eight men are unnecessary, and their appointment was accomplished by subterfuge.

6. RENOVATION OF QUINCY MARKET BUILDING.

A criticism of policy which the Commission found it necessary to make many times during the past year related to the inclination of the administration aides to commit the City to eventual heavy expenditure of funds without careful and scientific analysis of the problem before them at the time. The purchase of snow-removal equipment later discussed; the award of split contracts by the Public Works Department; the purchase of the most expensive type of kitchen equipment at Long Island, when a cheaper and more efficient type would have served the institution better, are instances of the bad judgment exercised, which the Finance Commission pointed out.

The most aggravated instance of this nature was in the case of the request by the Mayor for the authorization by the City Council of an appropriation of almost \$500,000 to carry out plans for remodelling the Quincy Market Building. These plans teemed with extravagance and lavish outlay. They would have required the razing of a roof that was, for the most part, sound and serviceable. The consequent waste would be approximately \$100,000. They required the replacement of girders then being installed at a cost of approximately \$45,000, all of which would have been wasted. They required the lining of cellar walls with a type of tile that ordinarily is used where a high degree of ornamentation is desirable. They required the installa-

tion of terrazzo floors, the most expensive type, in the basement and in the meat stalls on the first floor. The major portion of these floors would be covered always by counters, boxes, or barrels, and to a great extent by sawdust to absorb dampness.

Inasmuch as 45 per cent of the cost of this project was to be financed by a P. W. A. grant, the Federal authorities had been made acquainted with a general idea of the intentions of the City authorities, and had given the project tentative approval.

The Finance Commission discovered, however, that the Superintendent of Public Buildings, under whose direction the work would be done and who has the responsibility to determine what renovation is necessary, had not been given an opportunity to study and pass upon the plans until the Finance Commission brought them before him.

The Finance Commission desires to compliment the Superintendent of Public Buildings for his cooperation in blocking this contemplated squandering of public money. The City Council, at the request of the Commission, deferred action until the plans had been carefully revised under the direction of the Superintendent of Public Buildings. In the revision of the plans the soundness and safety of the building became the aim rather than a ridiculous ornamentation of it.

7. REGULATION OF THE FINANCIAL PRACTICES OF THE CITY OF BOSTON.

The gradual but persistent whittling away of the sound financial reputation which the City of Boston had built up in the two decades following the reforms in management forced by the charter amendments of 1909 impressed upon the Legislature of 1935 the necessity for a study to determine the cause and to recommend the cure.

A legislative committee invited comment and opinion from agencies or individuals having special knowledge. The Finance Commission made its contribution. This

contribution, in the form of specific recommendations, was based on the accumulated experience of the Commission in the twenty-five years of its existence.

The Commission had no new theory to advocate and no old theory to sustain. It had been its function for twenty-five years to study and observe municipal administration as no other agencies had authority or opportunity to do. The Commission has had the duty by statute to inquire into all features of municipal operation and expenditure and report upon them, to point the finger publicly at defects and to recommend remedial changes.

The long list of reports issued to the Governor and Legislature, the Mayor and City Council, and the number of cases referred to prosecuting officers amply record evidence of the Commission's compliance with the letter and spirit of the statute which created it.

Opinions given by the Commission and conclusions drawn are based on the facts of municipal government as they exist, and are not predicated solely on a theory of government which one group of taxpayers might subscribe to and another group might oppose.

When the Commission reported to the Legislative Committee, therefore, that reform in municipal practices should not begin with the sudden termination of the forty-year old policy of requiring Boston's administrators to show their sovereign, the State of Massachusetts, how much money they needed and why, before they could tax the people for it, this opinion was based on a view of the situation from a practical standpoint. It is perhaps unnecessary here to show why a theory is unsound that all the cities of Massachusetts, including Boston, should be treated alike in the matter of fixing their taxing or spending right. That theory has been exploded by the Finance Commission on many occasions.

The Commission took this opportunity in 1935 to emphasize once more the reasons why Boston should be limited, and advocated a form of limit that would

actually accomplish the purpose desired, namely, an appropriation limit in dollars and cents. The Commission also recommended the establishment by statute of a department of finance under a city comptroller who would be independent of the Mayor and City Council and a check upon City expenditures; and the application of so much of the Municipal Finance Act to the City of Boston as relates to the issuance of debt.

It is perhaps timely to point out that had there been an independent control of City expenditures such as the Finance Commission visualizes in a department of finance, it is unlikely that there would have been the gross waste of City funds that has been related in this report as having taken place in the award of contracts and particularly in the payments for snow-removal work in the last year.

Centralizing administrative authority in the Mayor is not handicapped by creation of an independent authority to keep administration within the law.

8. SNOW-REMOVAL EQUIPMENT.

When the first heavy fall of snow in the winter of 1934-35 covered the Boston streets toward the latter part of January, 1935, ordinary business was somewhat paralyzed for days because the street cleaning system of the City and the men entrusted to operate it proved utterly incapable.

The City's equipment of trucks, in number of units, was negligible and badly in need of repair or replacement. Though experience had taught that heavy falls of snow are likely to come upon the City suddenly and swiftly, and that one or more is bound to come every year, no thought had been given to preparation for such eventualities. No modern equipment for snow loading and removal was owned by the City. The number of plows on hand was inadequate for anything more than a gesture at clearing the streets. There was no definite plan of action for removing snow when

the emergency would come; and organization within the City forces such as would seem to be necessary was entirely lacking.

When the fall of snow had stopped and two days had passed without noticeable clearing of the streets, even in the downtown business district, the Mayor abruptly asked the City Council to appropriate \$800,000 for new snow-removal equipment. How this figure of \$800,000 was arrived at, and what units of equipment it was intended for, have not yet been revealed.

The Finance Commission asked for defeat of the order or delay. The Commission emphasized the necessity for a survey by an expert committee to determine the need in number and kind of units, and the cost; and also, of equal importance, to make certain of an efficient method of procedure in snow-removal work and an efficient organization of employees to make use of the equipment when purchased.

The City Council rejected the Mayor's order for an \$800,000 appropriation. The Mayor disputed the necessity for such a survey as the Commission had recommended. Many months went by without any further action to prepare the City for the snow of another year. Late in August, after the Finance Commission conferred with the Public Works Commissioner and impressed upon him the necessity of early action on the preparations for snow-removal work, the Mayor appointed a survey committee such as the Finance Commission had suggested eight months earlier.

The expert committee reported that only \$675,000 was needed to equip the City sufficiently with snow-removal equipment. They had adjourned *sine die*, without arranging for a new method and a new organization. The Finance Commission's protest at this premature adjournment was immediately followed by a reconvening of the committee and a plan of action was produced.

Again, the Finance Commission protested that the committee's work was not finished without passing

upon the price to be paid per unit and the types of equipment to be purchased. This brought word from the Mayor that that was also part of their job. The committee, however, — it subsequently turned out, — was never given an opportunity to participate in this important detail.

After bids were received, the Public Works Commissioner assembled a group of his own subordinates and delegated to them the job of passing upon the bids and making selections for purchase. Experts were hired by the group. They reported upon the bidders who had complied with the specifications and those who had not. They picked out the equipment that they believed it would be best for the City to buy.

When the group was informed by the Mayor that he wanted them to reconsider certain of the suggestions of their first report, they made a new report. Still some weeks passed without action to close the matter by the Superintendent of Supplies whose duty it was to make the contract.

Suddenly, on January 2, 1936, without further conference with any of the expert committee organized by him originally to help solve the problem of the amount and the kind of equipment to buy, the Mayor conferred with a local trucking contractor, a former law client of his, and at this conference, lasting less than an hour, it was decided what equipment would be bought.

The major portion of the purchase was directed to be made from a manufacturer who was not the lowest bidder and who had not been recommended by the Public Works Commissioner's committee or its experts. These latter had, in fact, reported that this particular manufacturer offered a truck that did not meet the specifications. The decision by the Mayor required the City to pay approximately \$165,000 more for its equipment of trucks and snow-removal equipment than would have been necessary had advantage been taken of the expert advice and the best offers made to the City.

The Finance Commission has held public hearings to bring out the facts in connection with this needless extravagance. These hearings are a part of the work of 1936, which is later than the period covered by this report.

The Commission is satisfied that with the help given by some members of the City Council the Commission forced a survey by experts of the need for snow-removal equipment which saved the taxpayers \$125,000. The Commission believes that had the same committee of experts been permitted to determine the selection of equipment to be purchased from the bids submitted, a further saving of \$165,000 would have been added.

The list of reports issued by the Commission in the year 1935 follows:

- Feb. 1, 1935. To the Mayor. Regarding the circumstances surrounding the determination by the Trustees of the George Robert White Fund in 1933 to construct a Prado or Park in the North End.
- Feb. 18, 1935. To the City Council. Opposing the adoption of an order to authorize a bond issue of \$800,000 for the purchase of snow-removal equipment.
- Feb. 20, 1935. To the Mayor. Regarding purchase of bonds by Edmund L. Dolan, former City Treasurer, in the years 1930 to 1933, inclusive.
- Feb. 25, 1935. To the Mayor. Regarding his request for a copy of testimony taken before the Finance Commission.
- March 25, 1935. To the City Council. Recommending that immediate action be taken regarding approval of the gas lighting contracts.
- April 6, 1935. To the Committee on Municipal Finance. Regarding fixing a limit on the property tax in the City of Boston.
- April 10, 1935. To the Mayor. Reporting further on the Land-Takings for the Layout and Construction of the East Boston Vehicular Tunnel.
- April 26, 1935. To the Mayor. Opposing the City Council's request to abandon the system of Federal inspection of foods purchased for City institutions and recommending that this type of inspection be extended.
- May 13, 1935. To the City Council. Replying to an order adopted by that Body requesting the Finance Commission "to look into the so-called 'Patch Paving' contracts in the City of Boston."

- June 1, 1935. To the Mayor. Requesting an explanation of his proposal to employ twenty-eight additional constables.
- June 11, 1935. To the Mayor. Giving reasons why the form of contract made by the City with the dealers for the City's fuel oil and gasoline supply should be revised.
- June 28, 1935. To the Mayor. Regarding the administration of the Boston City Hospital.
- July 6, 1935. To the Mayor. Regarding the failure of the system for the collection of tolls at the East Boston Vehicular Tunnel.
- July 20, 1935. To the Mayor. Regarding the contract for the repair of the ferryboat "Charles C. Donoghue"; also opposing certain practices in the requirements for ship repair work.
- July 23, 1935. To the Mayor. Opposing the adoption of the recommendation of the Public Works Commissioner to award a contract for the reconstruction of the South Ferry to W. H. Ellis & Son Company.
- July 27, 1935. To the Mayor. Protesting the practice of awarding City contracts without fair competitive bidding; also calling attention to contracts for Quincy Market Building Repairs and the Roofing Contract at Deer Island.
- Aug. 2, 1935. To the Mayor. Regarding the specifications of a contract to furnish kitchen equipment at the Long Island Hospital.
- Aug. 5, 1935. To the Mayor. Regarding his contract policy.
- Sept. 6, 1935. To the Civil Service Commissioner. Enclosing copy of report in regard to employment of twenty-eight additional constables.
- Sept. 10, 1935. To the Mayor. Relating to awards of contracts to other than the lowest bidder.
- Sept. 14, 1935. To the Mayor. Relating to recommendations of the National Board of Fire Underwriters for economies in the Fire Department.
- Sept. 16, 1935. To the City Council. Relating to waste, extravagance and graft in connection with the proposed new court house.
- Sept. 20, 1935. To the Mayor. Calling attention to irregularities in assignment of work at the entrances to the East Boston Traffic Tunnel to B. F. Hanrahan, an East Boston contractor; also the Mayor's reply.
- Sept. 21, 1935. To the Mayor. Urging speedy action on the making of proper plans for snow removal and the purchase of new equipment.
- Oct. 3, 1935. To the Mayor. Giving reasons why the Commission should not accede to a request from the Corporation Counsel for copies of testimony taken by the Finance Commission.

- Oct. 11, 1935. To the Mayor. Answering his letter in relation to the Commission's refusal to give to the Corporation Counsel copies of certain testimony.
- Oct. 21, 1935. To the City Council. Relating to the order for an appropriation for snow-removal equipment.
- Oct. 25, 1935. To the Mayor. Recommending further study by the snow survey committee to determine makes of trucks and plows to be purchased.
- Oct. 25, 1935. To the Mayor. Relating to the work of the snow survey committee.
- Oct. 28, 1935. To the City Council. Recommending that action on the loan order for \$460,000 for the renovation of the Quincy Market Building be deferred.
- Oct. 30, 1935. To the Mayor. Regarding the conditions under which the Commission allowed the Corporation Counsel to examine the Finance Commission files relating to an investigation of E. L. Dolan, former City Treasurer.
- Oct. 31, 1935. To the Mayor. Dissenting report in relation to the above matter.
- Nov. 5, 1935. To the City Council. Withdrawing objection to the adoption of a loan for the Renovation of Quincy Market.
- Nov. 9, 1935. To the Mayor. Relating to the proposed purchase, without public competition, of four pieces of fire apparatus.
- Nov. 20, 1935. To the Special Commission on Municipal Finance. Regarding the proposed regulation of Financial Practices in Boston.
- Dec. 5, 1935. To the Mayor. Renewing the Finance Commission's protest against the purchase of four pieces of fire apparatus without public competition.
- Dec. 16, 1935. To the Mayor. Regarding the proposed award of a contract for snow removal to Hugh Nawn, Inc.
- Dec. 31, 1935. To the Governor. Regarding the purchase by the City of Boston of second-hand equipment for the Long Island Hospital.

Respectfully submitted,

E. MARK SULLIVAN, *Chairman*,
 PHILIP A. CHAPMAN,
 ROBERT ROBINSON,
 JAMES E. MAGUIRE,
 JOSEPH A. SCOLPONETI,

The Finance Commission.

ROBERT E. CUNIFF,
Secretary.

THE FINANCE COMMISSION

OF THE

CITY OF BOSTON

REPORT TO THE LEGISLATURE FOR THE
YEAR ENDING DECEMBER 31, 1937



CITY OF BOSTON
PRINTING DEPARTMENT
1938

THE FINANCE COMMISSION

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REPORT TO THE LEGISLATURE FOR THE
YEAR ENDING DECEMBER 31, 1937



CITY OF BOSTON
PRINTING DEPARTMENT
1938

Boston Finance Commission
Feb. 11, 1938

REPORT TO THE LEGISLATURE.

BOSTON, January 31, 1938.

*To the Honorable the Senate and House of Representatives
in General Court Assembled:*

In accordance with section 18 of chapter 486 of the Acts of 1909, the Finance Commission of the City of Boston submits its annual report for the year 1937.

I. ORGANIZATION OF THE COMMISSION.

There has been one change in the membership of the Commission since the last annual report was issued. Under date of April 13 Philip A. Chapman resigned as a member and on April 14 His Excellency Governor Charles F. Hurley designated David Lasker as Chairman. Mr. Lasker was appointed to fill the unexpired term of Mr. Chapman, said term expiring August 9. On August 25 Mr. Lasker was sworn in for a new term as Chairman, said term to end August 9, 1942.

II. APPROPRIATIONS AND EXPENDITURES.

The amount appropriated for the Finance Commission for the year 1937 was \$50,000. The expenditures were as follows:

Permanent employees	\$31,241 00
Printing and binding	831 73
Transportation of persons	79 87
Light and power	159 38
Rent	5,103 75
Telegrams, telephones and messenger service	426 03
Cleaning	72 00
Stenographic, stencils	34 55
Fees	20 00
Photographing and blueprinting	1 50
Miscellaneous items and repairs	51 13
Electrical equipment	—
<i>Carried forward</i>	<hr/> \$38,020 94

<i>Brought forward</i>	\$38,020 94
Furniture and fittings	9 00
Office equipment	85 00
Library equipment	94 00
Office supplies	524 03
Ice	49 50
Miscellaneous supplies	14 11
Electrical supplies	—
Hire of experts, etc., in special investigations	10,825 08
	<hr/>
	<u>\$49,621 66</u>
Amount appropriated	\$50,000 00
Amount expended	49,621 66
	<hr/>
Balance unexpended	<u>\$378 34</u>

III. THE WORK OF THE COMMISSION.

A new administration of City affairs has already been started upon its four-year course. In his first month in office, the new mayor has devoted considerable time to an effort to make the people realize the serious financial predicament of the City. He has not spared words in making a dismal picture of the condition of the City treasury and the slim prospects of improvement for a long time to come. On the other hand, the outgoing mayor boasted of achievement of financial improvement during his four years, and counselled his successor not to take too seriously the alarm expressed in some quarters for the future financial safety of the City, claiming that it is not so badly off as some would have the people think.

There need be no honest difference of opinion on the present status of the City's financial situation if one will but examine the figures. First of all, the City owes more today than ever before; and secondly, the maintenance cost of the City is greater today than ever before. These are the two principal items which determine the size of the bill the taxpayers must meet.

On the other side of the picture, there are also two main items. One is the property valuation of the City

which must bear the major part of the increased debt and maintenance burden, and the other is the City's ability to collect the taxes it levies. Property valuations, already down \$380,000,000 since 1930, are still shrinking and not even the pleas of a distraught mayor will stop further substantial drop in valuation of downtown property. If the size of the bill the taxpayers have to meet is going higher each year, and the property valuation of the city, over which the bill is spread, is steadily decreasing it is obvious that the rate of taxation must go higher.

Then there is the matter of the ability of the City to collect the taxes it levies.

Before the depression the City for many years collected each year between 85 and 90 per cent of the current year's assessments. In addition, each year the City collected several millions of previous year's assessments which when received, were free cash and served to make up the for 10 to 15 per cent delinquency in the current assessment.

Since the depression, collections in Boston have fallen off another 15 per cent. The lowest point reached in the depression was 70 per cent. In 1936 this was improved to 74 per cent, but in 1937 it was back again to 72½ per cent approximately. Meanwhile the back taxes asset has been wiped out. The City has borrowed up to and beyond the amount of the back taxes that is collectible.

This inability to collect more than 70-odd per cent of the current levy is more significant when it is remembered that the date of assessment has been advanced from April 1 to January 1 and taxes are payable in June instead of October as formerly.

Because discussion of this situation will take place many times before the Legislature this year, it is timely now to point out these important facts:

1. The total requirements of the City for all purposes (city, county and debt appropriations, state warrants and Metropolitan assessments) as

fixed in the determination of the tax rate, increased from approximately \$77,100,000 in 1933, the last year of the Curley administration, to \$80,700,000 in 1937, the last year of the Mansfield administration.

2. The net requirements (the above less revenues other than from taxes and plus overlay) increased from approximately \$58,500,000 in 1933 to \$61,500,000 in 1937.

3. The valuations, real and personal, as fixed at the end of the fiscal year (original assessments less abatements) have decreased from \$1,746,703,400 in 1933 to \$1,573,980,400 in 1937.

4. Real and personal property valuation, against which the levy is assessed, has therefore decreased \$172,723,000 in four years.

5. The tax rate has risen from \$32.80 per \$1,000 supplemented by \$7,600,000 of borrowed money in 1933 to \$38.70 supplemented by \$5,250,000 of borrowed money in 1937.

6. The true rate of 1933 was, therefore, approximately \$37.20 as against a true rate of approximately \$42.00 in 1937.

7. The outstanding debt of the City at the end of 1933 was \$149,315,000, made up as follows:— net debt, \$135,815,000; outstanding tax anticipation notes, \$13,500,000. At the end of 1937 the outstanding debt of the City was \$160,416,000, made up as follows:— net debt, \$130,156,000; outstanding tax anticipation notes, \$23,000,000; tax title loans, \$7,260,000.

8. This means, therefore, that the present new mayor has a total of \$11,101,000 more debt to face upon taking office than did his predecessor when he took office.

9. The amount of the debt outstanding at the end of 1933 that had been borrowed for distinctly current expenses (generally regarded as the worst class of municipal debt) was \$7,600,000. Of this

same class, the amount outstanding at the end of 1937 was approximately \$15,877,000.

It does not improve this picture any to record the fact that at the present time there are abatement cases pending before the Tax Appeals Board which represent over \$870,000,000 in valuations, or approximately \$30,000,000 in taxes. This means that the owners of a very substantial part of the total real estate of the City have already gone to the extent and expense of entering an appeal from the assessors' valuations. In many other cases, abatements are sought, but formal appeal from assessors' rulings has not yet been taken. When all these cases are finally adjusted and consequent new and lower valuations recorded, the total valuation of the City will be substantially lowered and the rate of taxation correspondingly increased.

Likewise it makes the picture worse to record the fact that the many expansions of municipal service that took place late in the last year of the Mansfield administration greatly increased the maintenance costs of the City. These include the operation of the new buildings at the City Hospital, the increases in number of firemen and policemen, and the additions to the pay roll by new appointments, transfers, increases, etc., which were authorized by the wholesale at the end of 1937.

From perusal of the above figures it is plain to see that the new mayor has much to worry about, and that any contrary opinion cannot possibly be based on accurate statement of the facts.

1. UNFINISHED CITY BUSINESS.

During the administration which ended January 3, 1938, the Finance Commission investigated and exposed many instances of extreme waste and extravagance in the operation of the city departments. At this time the Commission believes it is proper to point out that in a number of these cases the administration expired without any serious effort by any official agency to restore to the City treasury any part of the unconscion-

able profits obtained by contractors and others. Action has been taken to punish the offenders in only one instance of the many reported upon in which the fraud against the city amounted to many tens of thousands of dollars. Yet in the administration recently terminated there were more instances of gross fraud revealed than in any previous similar period since the creation of the Finance Commission. Cases of major importance reported upon which are still pending are as follows:—

a. The Investigation of Coal Contracts for Welfare Recipients and for City Departments.

In the summer of 1936, the Finance Commission held public hearings at which it was disclosed that a number of coal contractors violated in many respects the specifications of their written contracts with the City. As a result, welfare recipients were supplied with a grade of coal from which they could obtain no heat, and an inferior grade of fuel was delivered to city buildings. The Finance Commission recommended a black list of the contractors involved; recommended discontinuance of the employment of the particular chemist who had contracted to check up on the quality of the coal delivered; urged the adoption of a method of obtaining a supply of coal similar to the plan worked out by the Anthracite Institute of America, and in operation generally outside Boston; and recommended that the city decline to pay the contractors for the coal delivered until the courts fixed the amount and ordered payment.

Despite public denials by the city officials and the representatives of the accused coal companies of charges of delinquencies developed at the hearings and despite also the many times repeated finding of the Mayor that the Finance Commission was actuated by a political motive, all of the Commission's recommendations were adopted. The coal companies involved were black-listed, a new chemist took over the analysis of city coal,

and a plan substantially in accordance with the recommendations of the Anthracite Institute of America was worked out and adopted. Bills totaling approximately \$85,000 for the coal delivered remain unpaid at the present time. Suits for recovery have been entered in court by the accused contractors and have already proceeded to trial before a master.

In this case, the outgoing administration eventually made a real effort to obtain justice for the City. It is cited here, mainly for the purpose of recording, that the recommendations of the Finance Commission were subsequently adopted, though their merit was publicly disputed when originally made.

b. The Investigation of the Snow Removal Cost.

In its report to the Legislature in 1937, the Finance Commission pointed out that no action had been started at that time by the city administration to punish those responsible for the gross fraud perpetrated against the City in the winter of 1935 and 1936 by snow removal contractors. The Finance Commission had exposed this fraud in a series of public hearings and in a number of reports to the Mayor and Council.

The determination of the administrative heads to disregard the findings of the Finance Commission in its investigation of that fraud continued to the very end of the administration.

Neither the Mayor nor his Public Works Commissioner ever attempted to explain the discrepancy between the removal cost per inch of \$5,456 in 1933 and the removal cost per inch of \$24,770 in the winter of 1935. The United States Weather Bureau recorded 50.5 inches of snowfall in 1933 and only 45.1 inches in 1935.

The expenditure of City funds to an extent approaching \$2,000,000 for snow removal in one season of two real snowfalls, as is revealed by the records, at any time warrants suspicion. In this case the examination

and analysis of the records by the Finance Commission revealed ample evidence of fraudulent billing to the City and fraudulent collection of money.

All the facts were recorded before the Commission publicly and later placed before the Mayor. These facts, pieced together, made out the story of one of the most serious instances of looting of the City treasury in the history of the City.

The charges developed by the Finance Commission remain undisputed except for the expression by one city official of a feeble "It can't be so!" Yet when the first contractor involved in the case to be called before the Finance Commission appeared without supporting records, he claimed all his books and papers were stolen from a parked automobile the night before he was due, by subpœna, to show them to the Commission.

The attitude of the city officials to that suspicious happening was so complacent that the exact method then followed of avoiding disclosure of records was adopted in another case later which has been given wide publicity. The Finance Commission is satisfied that it was resorted to because examination of the books would have revealed what had become of the profits, and that disclosure of who received parts of the profits would have constituted a greater scandal.

Unfortunately for the taxpayers, the Finance Commission cannot institute legal proceedings either for the punishment of offenders or for the recovery of fraudulent payments. The Commission however placed the evidence collected in this case before the Mayor and the District Attorney, either of whom could initiate court action, and both of whom owed it to the taxpayers to take action.

c. The White Fund Investigation.

In the spring of 1937, charges were made in the City Council by two councilors that a firm known as the Codman Hill Construction Company had been given a

monopoly of repair and renovation work on the extensive White Fund properties. These properties are managed by a board of trustees, of which the Mayor is chairman. The charges further recited that there had been serious overcharge in the payment for work performed. Unanimously, the City Council asked the Finance Commission to find the facts.

The story of the investigation as told by a special counsel, George R. Farnum, through the testimony of witnesses under oath at public hearings, and later in written reports, is now well established in the recent history of Boston. It is an amazing recital of negligence, extravagance and graft, and yet was illustrative of practices of city contractors repeatedly reported upon by the Finance Commission.

A house builder in the suburbs, previously unknown in City work, who was the sole owner and operator of a firm that came into existence for the first time at the beginning of the Mansfield administration, because of close business and personal relations with the Mayor was given practically carte blanche orders to renovate and repair the extensive real estate holdings of the George Robert White Fund. His work and the bills therefor were accepted substantially unchecked by any Fund representative. Payment to the extent of \$124,419.91 had been made from the White Fund when the investigation began. Bills for other work for City departments to the extent of \$211,555.85 had also been paid. Less than 3 per cent of this large total was for work that was obtained in competition.

When his books and records were subpoenaed he claimed they were stolen from a parked automobile at midnight in an outlying section of the City then under development. He and his accountant were sent to jail by a judge of the Superior Court, who refused to believe their story.

In the middle of the presentation of the evidence gathered by the Commission's counsel, and despite public proffer of aid by the White Fund trustees in

unravelling the story, the Mayor — chairman of the board — suddenly appeared at the public hearings of the Finance Commission in the role of defendant and as friend and defender of the contractor. Thereafter, he offered repeated and violent obstruction to the presentation of the case by the Commission's counsel.

It is unnecessary here to relate in detail the evidence offered which supported the charges made by the City Council. On the last day of the hearings which extended over a five-month period and occupied a total of 41 days in actual public hearing of testimony, the Mayor announced that he believed the contractor was honest in his dealings with the White Fund and the City, that the work was properly performed and the payments made were just, and that therefore he would take no action against anyone involved in the investigation.

A majority of the members of the Finance Commission, sitting in this case solely as judges of the evidence presented, accepted the conclusions of its special counsel that the White Fund had been defrauded by the Codman Hill Construction Company; that the Mayor was primarily responsible for allowing this fraud; that the other trustees of the White Fund were in a large measure also to blame because they failed to assume the responsibility that was properly theirs and accordingly failed to perform the duties expected of them as trustees of the Fund; and that the subordinate agents of the trustees were lax in the ordinary supervision and inspection of the work and in the checking of the bills therefor. The majority of the Commission requested the Mayor and the District Attorney to take action accordingly.

It is noteworthy that when the Mayor went out of office on January 3, 1938, despite previous public clearance by him of the Codman Hill Construction Company of all charges of wrongdoing, bills amounting to \$13,111.09 presented by the Codman Hill Construction Company for work allegedly performed for the

White Fund last spring were still unpaid. Payment was withheld by order of the Mayor as requested by the Finance Commission.

Other substantial benefit came from the investigation. The City Auditor directed and supervised the installation of the safeguards devised for the protection of the City in City departmental accounting into all Trust Fund administration; the White Fund trustees assumed the responsibility in the management of the Trust intended by the donor of the White Fund and by the City Government in the acceptance of the bequest; and new checks were provided for the ordering and accounting for city work in all departments as dictated by the experience of the White Fund management and the City departments in the transactions under investigation.

The three cases described above are still unfinished business of the City of Boston. As already stated, in the first, sufficient action has been started to protect the taxpayers' interests. In the snow removal case and in the White Fund case, there remains much that the City can and should do, and since it was not done by the administration which ended on January 3, 1938, it comes within the province of the new administration to force action.

2. OTHER INVESTIGATIONS.

(a) *Contract Work.*

During the past three years the Finance Commission has on many occasions brought to public notice the fact that work costing the City millions of dollars was parceled out to a selected list of contractors without competition, and often without definite control of the prices to be paid, or the extent of the work to be done. What is now generally known to have been done in the White Fund case was going on simultaneously in many other cases in the city departments. The Finance Commission reports record many such instances. As early as July 27, 1935, in a report signed by E. Mark

Sullivan, Alexander Wheeler, Jacob J. Kaplan, W. Arthur Reilly and Philip A. Chapman, the Finance Commission brought particular instances of favoritism, with consequent loss to the taxpayers, to the attention of the Mayor and pointed out that the practice was becoming general in the City departments. In April, 1936, in another report, the Finance Commission published figures showing how much business particular contractors had received under that practice. In almost every case of such favoritism, the contractor selected was one to whom the administration was obligated for political assistance.

As shown in many reports, a small group obtained the major part of the work under methods of ordering that were questionable. Payments therefor were also frequently questionable.

It is a well established fact that when those employees whose duty it is to supervise work for the City see one or two firms getting all the work, without having to compete with other contractors for the award, they know that these firms have such influence with the administration that it would be unwise to press too hard for quality in work performed or for prices fair to the taxpayers. The result is that usually the City pays a high price for an inferior job, or pays too much for a good job.

The Finance Commission recognizes that there are emergency cases where there must be deviation from a strict policy of award to the lowest bidder in competitive advertised bidding. The Commission merely protests against the granting of all work, or the major part of it, in the manner allowable only in emergency cases.

To frame a statute to control this situation to such an extent that rank favoritism would be outlawed is probably impossible. It depends on the honesty of the intentions of the administration whether the spirit of the charter in this relation is respected. The Commission desires to point out that it has not been respected, and to express the hope that the new administration

will direct department heads to respect the spirit as well as the letter of the charter,—in other words, to abolish all special lists of contractors or firms, except the list of those who have been discovered to be bent on looting of the city treasury.

(b) *Tax Abatements.*

The Finance Commission agrees with the opinion expressed by many informed agencies that property in Boston is generally over-valued. This applies particularly to much of the business property. However careful the assessors may have been to set fair values originally, it is a well known fact that subsequently the values thus determined were often ruthlessly disregarded when it came time to declare the tax rate. Each year when the requirements to be paid by taxation have been figured out and portended a substantially higher rate if levied against original valuations, the assessors rushed out to discover spots where they could place the extra load, and many valuations were increased for that reason alone. Often it has happened that after this unscientific determination of assessed value had served the purpose of keeping the rate down, attorneys were able to obtain abatements without serious opposition.

In the granting of abatements it is also well known that a small group of attorneys and political office holders have obtained the major part of the abatements granted. In many of these cases the new values allowed have been questioned from within and without the Assessing Department. It has become the custom for some lawyers and some politicians to establish a friendly connection with the administration or with the Assessing Department. Such a connection when made is frequently advertised among property owners who desire abatements.

As an illustration of the usual results, the Finance Commission offers a typical case. An attorney connected with a large law firm was recently retained by the City to prosecute a single case. He was led to

believe that under the provisions of the charter act he was required to notify the Finance Commission each time his office settled a tax abatement case. In the six or seven months he was acting for the city, approximately 35 notices came to the Finance Commission from him that he or his office had just settled an abatement case.

There are a few other lawyers who have had many more cases. There have also been cases where the lawyer retained by the property owner did not have sufficient influence to obtain an abatement and was forced to bring a politician to his aid, whereupon the abatement was granted.

Complaint of the work of the assessors is general. Business property owners claim that they are improperly treated. Some can obtain abatements, other cannot. Residential property owners complain justly that because their holdings are individually small, consideration is often denied them.

All who have studied the situation are agreed that valuations in Boston are in a mess, and that it will require a major effort to reorganize the Assessing Department, personnel and work, so as to bring order out of the chaos that exists.

For the past four years, the total of the abatements granted have exceeded the amount of the overlay in the levy. The overlay is intended by law to cover abatements. A higher overlay would have meant a higher tax rate. Though the law and sound financial practice require the inclusion of the overlay deficit in the next year's tax levy, for four years the City has neglected this requirement. As a result there is now a total overlay deficit of approximately \$2,000,000 facing the new mayor.

(c) *Charter Changes.*

(1) Election of Mayor.

The Finance Commission reported to a committee of the Legislature in 1937 in favor of a charter change proposed whereby a Mayor may be a candidate to suc-

ceed himself, that is, may enter the contest for the mayoralty that takes place in the fourth year of his administration. Because such a change is again proposed this year in a new bill, the Commission desires to affirm to the Legislature itself the recommendation made to the Committee on Cities last year.

The Commission believes any change now made should include the restoration of the recall provision as it was originally written into the charter amendments of 1909. That act provided for a vote by the people on the question of recall at the end of the second year of the four-year term.

(2) Effect of Abolition of Tax Limit.

The Commission desires also to point out that none of the advantages have materialized that were promised by the proponents of the bill presented in 1936 for the abolition of the tax limit in Boston. The act when adopted removed the legislative check on the City's taxation right, or spending right.

This has not yet resulted in better or speedier budget making, which was the principal reason given for the change. In fact, the Commission and all the civic agencies interested in municipal affairs complained more than ever before of the inadequacy and incompetence of the budget making of 1937, the first year without a legislative tax limit in Boston. Removal of the limit now permits a Mayor, at the time of submission of the so-called maintenance budget, to conceal from the public and the City Council the major part of his financial planning, if indeed he makes a comprehensive plan at all. No comprehensive plan was ever formulated in 1937. Where formerly both the Legislature and the City Council had opportunity to question a Mayor about City finances before his spending right was determined, now the Legislature is out of the picture entirely and the City Council comes into it only in such fashion that a real comprehensive study is impossible before the principal appropriations are made.

The Finance Commission has tried to impress on those interested that a real budget covers much more than simply the amount the departments will spend for maintenance. The whole financial program for the year should be included in this budget.

Budget making has actually gone backward instead of forward in the time the change has been in operation.

(3) Abolition of Unpaid Administrative Boards.

On several occasions in the past, the Finance Commission has recommended the substitution of single-headed business management of specific departments for management by unpaid boards of trustees. Because four of the membership of five of the Finance Commission always serve without pay, the members of the Commission have had first-hand experience with and knowledge of the difficulty of giving time out of the ordinary hours of professional employment to public management.

The Public Welfare Department today spends around \$12,000,000 and the detail connected with the work of spending is greater perhaps than that of any other branch of the public service. The department transacts its business with 25,000 families or more. Its work deals with the care of over 100,000 persons. Surely a business so vast and involving so many cannot best be carried on by persons who can give only part time because they must earn their livings in other occupations. In 1930 the Finance Commission first advocated a single paid commissioner of public welfare to replace the board of twelve unpaid overseers. The present Finance Commission unanimously still favors the change in the interest of efficiency. Efficiency in this department will distinctly mean economy.

The City Hospital.—The Finance Commission has complained many times of the inefficiency of the management of the City Hospital department under its current type of organization, namely, a board of unpaid trustees, and a medical superintendent. Specific

items of inefficiency, waste, extravagance and other types of mal-administration in great numbers have been reported upon.

The Finance Commission has found that in the present type of hospital management, responsibility is divided and business administration is lacking. The Commission in 1934 recommended the creation of the position of business manager.

The Hospital Department now consists of two large institutions which cost Boston last year well over \$4,000,000. The work of administration requires close and continuous observation by the responsible head. The board of trustees is now by law the responsible head of the department, but unpaid. The membership of the board consists of men busily engaged in other lines of endeavor, every one of whom has made a real sacrifice in giving time to the duties of trustee.

The present Finance Commission concurs with the recommendation of the earlier Commission, which advocated the placement of the management of this department in the hands of one man paid a salary commensurate with the responsibility of the position.

(d) *The City Planning Board.*

The Finance Commission believes the City should have a planning department. It recognizes that many who have served as members on the existing planning board had much to offer the City and were willing to give freely of their time even though unpaid. Unfortunately, no regular, constant use has been made of the department, though there have been distinctly valuable achievements by it from time to time.

At times the Board has been relied upon by City administrators for its planning wisdom and engineering skill. At other times, and for greater periods of time, the Board has been practically ignored by the mayor in office.

Already in a report to the city government, the Finance Commission has pointed out many ways in

which a planning department can be of real service to the City. As a minimum of its importance, with distinct saving to the City it can be to the present set-up of departments all that the old Engineering Department was to the City departments before 1910, the engineering service for all departments.

The City has continuously for a long period wasted large sums of money by carelessness of planning, and in some cases by deliberately poor planning of municipal improvements by scattered engineers and architects. There has been no central agency for engineering check-up of plans and projects. Many listed as engineers on the City pay roll who draw plans and supervise construction are not technically trained engineers at all. Under the existing methods, it pays hired engineers and architects to make mistakes in planning. Correcting mistakes means new plans and new construction, and engineers and architects receive commission on these changes just as though no blame could be attached to them for the mistakes.

Department heads often order work without complete knowledge of the facilities to be obtained. Part way through the construction, often after completion of construction, it is found necessary, as a result, to make over the plans or tear out the new construction.

A central capable engineering department through which all construction plans should be required to pass will save the taxpayers money. A capable central engineering department will be of great assistance to a mayor in solving departmental construction problems and in planning for both capital investment and regular upkeep.

The head of such a department should be expected to give full time. The Finance Commission believes, therefore, that the unpaid planning board should be replaced at the head of the department by a capable engineer paid a salary commensurate with the value of the service he should be asked to provide for the City.

This has been part of the recommendation of the Finance Commission relating to the demand for consolidation of departments.

(e) *Comptroller of City Accounts.*

For many years the Finance Commission has advocated a change in the charter which would make the Auditor independent of all spending agencies and make him free to exercise his best judgment in the matter of the approvals of city expenditure. It has seemed to the Commission that providing for this independence might be accompanied by consolidation of the finance departments: *i. e.*, the Auditing, Collecting and Treasury Departments *in toto* and the major portion of the Assessing Department.

Such a consolidation would save some money and would promote efficiency. To include within this new department the operation of such proposed activities as purchasing of all city needs and the operation of the Printing Department would defeat the purpose of an Auditing Department.

The substantial advantage to be gained by change from the present set-up would be obtainable only by giving guarantee to the head of that department that no political power can injure him if he performs his full duty. As long as the Auditor is removable at will by the Mayor, as is permissible under the present charter, his work is subject to the good-will of not only the Mayor, but of other department heads and politicians who might have more influence with the Mayor than the Auditor. It is a fact that there have been occasions in the past when city auditors have hesitated to interfere in matters properly within their purview because interference might mean loss of prestige in the Mayor's office, and eventual loss of position.

The matter of how an independent auditor can be obtained has been a subject of discussion in Boston as elsewhere. New York solved the problem successfully by providing for the election of the Comptroller. The

Finance Commission has already gone on record as in favor of the New York plan.

The Commission urges legislation to provide the City with an independent auditor and is willing for the time being to leave it to the City Government to decide what departments should be merged with the Auditing Department.

(f.) Pay Roll Changes at the End of Administration.

It has become the custom in City Hall, when an administration was expiring, for the employees of the Mayor's Office who are appointed from outside civil service, to be crowded into civil service jobs in other departments. When no vacancies existed, new places have been made for them. It has also become customary for an outgoing administration to reward special service to the administration by out-of-time and out-of-scale increases in pay, promotions, transfers, etc. The service rewarded is not always service that benefited the taxpayers.

To the continued indulgence of these customs may be attributed to some extent the steady growth in number and pay roll rate of City employees.

At the end of the Mansfield administration this practice was indulged to a greater extent than ever previously. It has been officially estimated that the eleventh hour changes of 1937 added approximately \$200,000 to the annual rate of the City pay roll. It is fair to state that pay roll changes involving many more thousands were sought but funds for transfers to cover them were not available.

Many of these additions were most aggravating. All of them placed an unfair burden on the new Mayor. Many of them created great dissension in City departments and among civil service registrants whose rights were disregarded because political favorites were pushed ahead of them.

By statute such changes are prohibited in every municipality in the State except Boston. In Boston

they were accomplished by the assumption by the Mayor of greater authority than was intended under a charter provision which permits financial transfers "in closing the accounts of the year." Positions and salaries not established by joint action of the Mayor and City Council in budget appropriations were created by assumption of emergency power after November 15. Appropriations made for other distinct purposes were transferred to provide funds for previously unauthorized changes.

The figures of the 1937 costs will contain little evidence of this extra burden. Most of them were purposely deferred until so late in the year that in 1937 they cost little. If continued in 1938 for the full year, a substantial amount will be added to the previous pay roll rate.

Since the adoption of the segregated budget, which an earlier Finance Commission sponsored, the Finance Commission has advocated the establishment of a definite date in the year for pay roll changes and the authorization of them in the annual budget. The Commission, in its own affairs, has scrupulously observed this policy. For many years the policy was pretty generally followed in other departments. The eleventh hour changes of 1937, however, were all in conflict with sound financial policy and constituted a public scandal.

To put an end to this practice, the Commission urges legislation for Boston similar to the legislation which governs such matters in all the other municipalities of the State.

LIST OF REPORTS ISSUED BY THE FINANCE COMMISSION IN 1937.

- Jan. 5, 1937. To the Mayor. Report upon evasions of the charter requirements in regard to contract awards in the Public Works Department.
- Jan. 6, 1937. To the Mayor. Protest against the purchase by the city of a new site for a municipal gymnasium.
- Jan. 20, 1937. To the Mayor. Relative to the inadequacy of the fire alarm system at the Boston City Hospital.

- Feb. 1, 1937. To the Mayor. Investigation of charges made by a former municipal assessor in relation to specific abatements of taxes.
- Feb. 11, 1937. To the Committee on Cities. Recommending an amendment to the present Boston Charter Act relating to candidacies for mayor.
- Feb. 15, 1937. To the City Council. Transmitting statistics in relation to the amount of funds available and spent from loan accounts for the sewerage works in Boston.
- March 9, 1937. To the City Council. Relative to the annual budget.
- March 30, 1937. To the Mayor. Relative to the operation of the East Boston Traffic Tunnel.
- April 2, 1937. To the Mayor and City Council. Extravagance in cost of restoration of the Dillaway House in Roxbury.
- April 7, 1937. To the Mayor. Relative to award of a contract without advertisement for steel furniture for the clerk of the Superior Civil Court.
- April 7, 1937. To the Mayor and City Council. In relation to suits against municipalities of the Commonwealth for collection of money due Boston for welfare aid.
- May 8, 1937. To the Mayor. Relative to investigation of the expenditures of the George Robert White Fund.
- May 10, 1937. To the Police Commissioner. Relative to the investigation of the George Robert White Fund expenditures.
- May 15, 1937. To the Mayor. Request that payment to the Codman Hill Construction Company from the George Robert White Fund be withheld indefinitely.
- Sept. 15, 1937. To the City Council. Transmitting a copy of first report by George R. Farnum, Esquire, summarizing the evidence produced in the investigation of transactions of the Codman Hill Construction Company with the George Robert White Fund and other city departments.
- Sept. 22, 1937. To the City Council. Transmitting a copy of the second report by George R. Farnum, Esquire, summarizing the evidence produced in the investigation of transactions of the Codman Hill Construction Company with the George Robert White Fund and other city departments.
- Sept. 29, 1937. To the City Council. Transmitting a copy of the third report by George R. Farnum, Esquire, summarizing the evidence produced in the investigation of transactions of the Codman Hill Construction Company with the George Robert White Fund and other city departments.
- Oct. 6, 1937. To the City Council. Transmitting a copy of the fourth and last report of George R. Farnum, Esquire, summarizing the evidence produced in the investigation of transactions of the Codman Hill Construction Company with the George Robert White Fund and other city departments.

- Nov. 5, 1937. To the City Council. Report by a majority of the Commission in respect to the investigation of the transactions of the Codman Hill Construction Company with the George Robert White Fund and other city departments.
- Nov. 5, 1937. To the City Council. Minority report by the Chairman in respect to the same matter.
- Dec. 2, 1937. To the Mayor. In opposition to the proposed acquisition of the plant of the Dedham & Hyde Park Gas and Electric Company in Hyde Park.

Respectfully submitted,

DAVID LASKER, *Chairman*,
 E. MARK SULLIVAN,
 ROBERT ROBINSON,
 JAMES E. MAGUIRE,
 JOSEPH SCOLPONETI,
The Finance Commission.

ROBERT E. CUNNIFF,
Secretary.

The foregoing report has been approved by me except wherein it is in disagreement with the findings made by me and stated in a minority report relating to the investigation of the transactions of the Codman Hill Construction Company with the George Robert White Fund. I have based my conclusions in respect to the other matters contained in the report upon examination of the reports and records of the Commission.

DAVID LASKER, *Chairman.*

DEC 31 1941

